OVERVIEW OF PACIFIC

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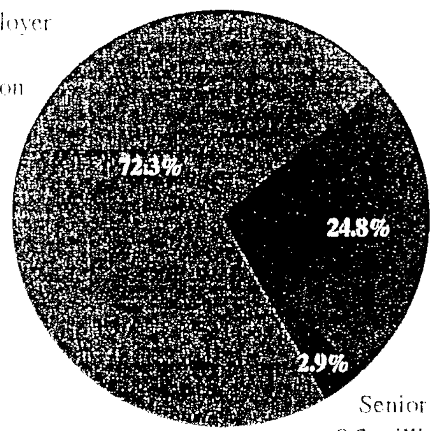
OVERVIEW OF PACIFIC

- Pacific is the largest publicly-traded Blue Cross Blue Shield company and is one of the largest managed care companies in the United States
  - Operates "Blue" branded business in California service area through Blue Cross of California and national non-branded operations through UNICARE subsidiary
  - Total medical membership as of December 31, 2000 was 9.7 million members (including Blue Cross and Blue Shield of Georgia)
  - Equity market capitalization as of April 20, 2000 was $5.7 billion
- Pacific offers a broad spectrum of network-based health products, including open access PPO, POS and hybrid products, HMO products and specialty products
  - Specialty products include pharmacy, dental, utilization management, life insurance, preventive care, disability insurance, behavioral health, COBRA and flexible benefits accounts administration (total specialty membership as of December 31, 2000 was 40.3 million)
- Pacific offers a variety of HMO products to members of its California HMO, CaliforniaCare
  - It also offers HMO products in the greater Chicago area as a result of its acquisition of Rush Prudential Health Plans
- On March 15, 2001, Pacific completed its $700 million acquisition of Cerulean (parent of BCBS of Georgia)
  - Cerulean's total membership as of December 31, 2000 was 1.8 million members
- On March 1, 2000, Pacific completed its $204 acquisition of Rush Prudential Health Plans, a 300,000 medical-member plan primarily in the Chicago area from the Prudential Insurance Company of America

MEDICAL MEMBERSHIP PROFILE

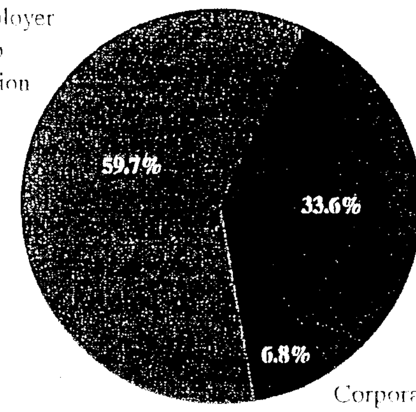
- Pacific's core health insurance business is concentrated in the large employer group market.

MEDICAL MEMBERS(1)



Total = 7.9 Million

LTM NET REVENUES(2)



Total = $9.0 Billion

Source: Company 10-K dated 12/31/00.
Note: Not pro forma for acquisition of Cerulean.
(1) As of 12/31/00.
(2) LTM as 12/31/00.

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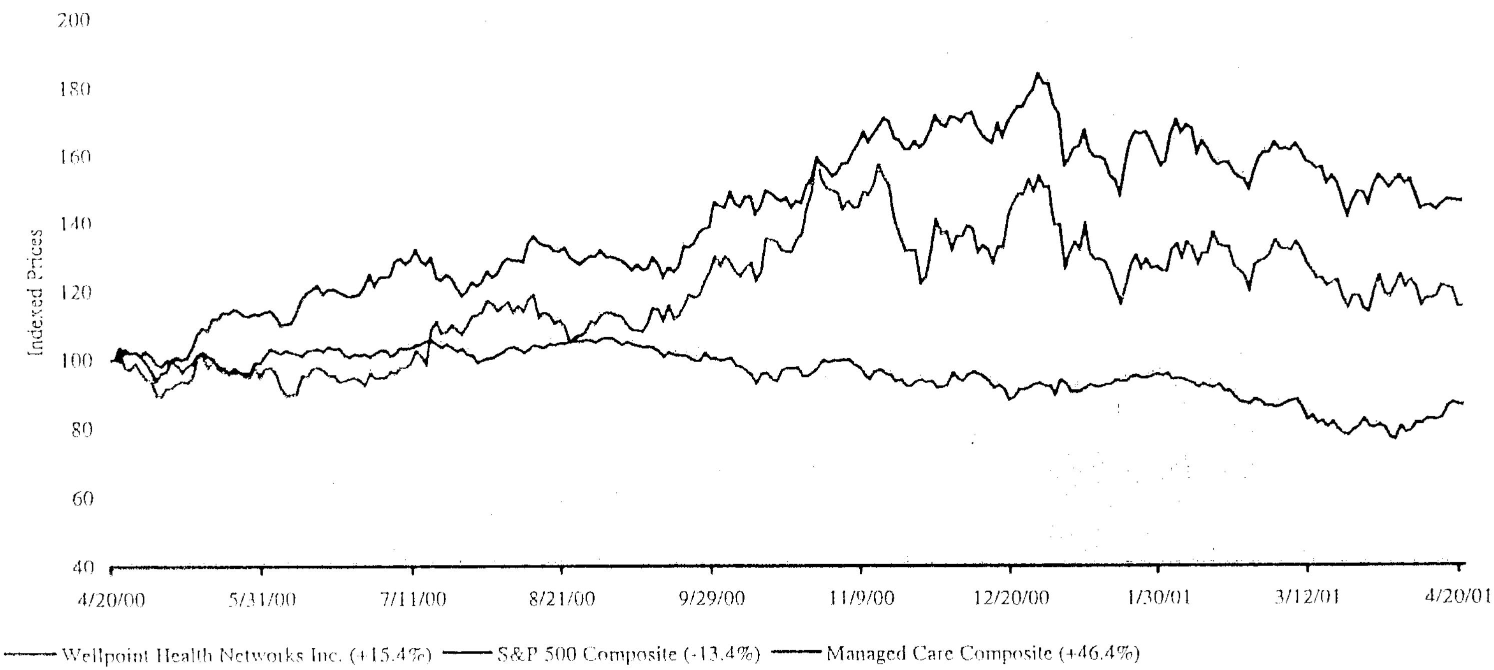
RELATIVE STOCK PRICE PERFORMANCE

Over the past year, Pacific's stock price has significantly outperformed the broader market, but has lagged behind its publicly-traded peers.

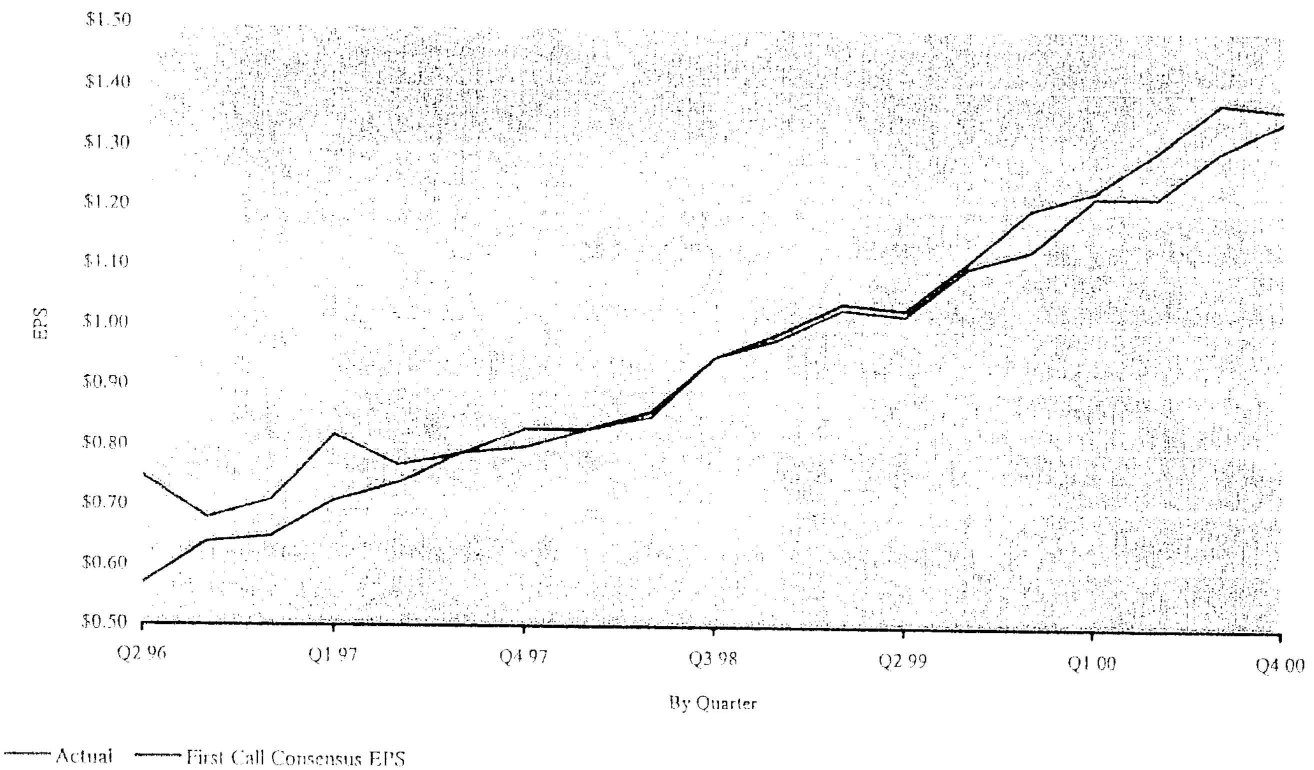
DAILY FROM APRIL 20, 2000 - APRIL 20, 2001



Indexed prices are market cap weighted.
Managed Care Composite includes: AET, CI, HNT, HUM, MME, OHP, TGH and UNH.

PREDICTABLE EARNINGS GROWTH

Pacific has met or exceeded consensus EPS estimates over the last five years.



Source: First Call.

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SUMMARY HISTORICAL AND PROJECTED FINANCIAL PERFORMANCE

Revenues

- Premium revenues increased 24.6% in 2000 (excluding Cerulean) primarily driven by risk-based membership growth of 13.3% combined with average realized premium rate increases of 9.6%
- Strong projected revenue growth driven by above national average growth opportunities in California and the impact of the acquisition of Cerulean

Membership

- Total medical membership rose 7.8% in 2000 (excluding Cerulean) driven by strong growth in California, where medical membership increased 8.4% to 5.6 million members and the impact of the Rush Prudential acquisition
- Membership growth in California is due to strong growth in the smaller end of large group market, premium increases comparatively lower than several of Pacific's competitors, product diversity and the continued attraction of new large group clients to its provider network
- Pacific is projecting overall membership to grow in the mid-to-high single digit range through the introduction of new lower-priced individual and small group products

Medical Costs

- Medical loss ratio increased to 76.8% in 2000 from 75.5% in 1999 primarily due to:
  - The incremental effect of the Rush Prudential acquisition (Rush historically experienced a higher loss ratio than Pacific)
  - The growth in Pacific's large employer group business segment which has historically experienced a higher loss ratio than the individual and small employer group business
- Projected medical loss ratio is expected to increase due to the impact of the Cerulean transaction, the increased mix of faster-growing drug costs and outpatient services

Administrative Expenses

- Administrative expense ratio decreased to 18.9% in 2000 from 19.6% in 1999 due to the integration of IT systems from acquired businesses and economies of scale associated with premium revenue growth in relation to fixed corporate overhead

SUMMARY HISTORICAL AND PROJECTED FINANCIAL OVERVIEW

($ in millions)	Fiscal Year Ended December 31, 1999 (1)	2000 (1)	2001 (2)	2002 (3)	1999-2002 CAGR
Total Revenue (4)	$7,485.4	$9,229.0	$12,459.8	$14,727.2	25.3%
Growth	*14.7%*	*23.3%*	*35.0%*	*18.2%*	--
EBIT	507.5	588.3	723.9	832.5	17.9%
Margin	*6.8%*	*6.4%*	*5.8%*	*5.7%*	--
Growth	*2.4%*	*15.9%*	*23.0%*	*15.0%*	--
EBITDA	$576.2	$663.7	$822.3	$939.9	17.7%
Margin	*7.7%*	*7.2%*	*6.6%*	*6.4%*	--
Growth	*4.7%*	*15.2%*	*23.9%*	*14.3%*	--
Net Income	$297.2	$342.3	$404.9	$469.8	16.5%
Margin	*4.0%*	*3.7%*	*3.2%*	*3.2%*	--
Growth	*12.9%*	*15.2%*	*18.3%*	*16.0%*	--
EPS	$4.38	$5.29	$6.05	$7.00	16.9%
Growth	*16.8%*	*20.8%*	*14.4%*	*15.7%*	--
Operating Statistics:					
Medical Loss Ratio ("MLR") (5)	75.5%	76.8%	77.3%	77.7%	--
Administrative Expense Ratio (6)	19.6%	18.9%	18.6%	18.3%	--
Underwriting Margin	4.8%	4.4%	4.1%	4.1%	--

Source: Company 10-K and Wall Street equity research.
Note: Excludes non-recurring items.
(1) Not pro forma for Cerulean acquisition.
(2) Includes three quarters of Cerulean acquisition impact.
(3) Includes Cerulean acquistion.
(4) Includes investment income.
(5) Ratio of costs of benefits provided to premiums earned.
(6) Ratio of administrative expenses to premiums earned.

CAPITALIZATION

($ in millions)	As of 12/31/00
Cash & Cash Equivalents (1)	$0.0
Total Debt (2)	$1,000.9
Stockholders' Equity	1,644.4
Total Capitalization	$2,645.3
Total Debt / Total Capitalization	37.8%
Senior Credit Ratings:	
S&P Credit Rating	BBB+
Moody's Credit Rating	Baa1

Note: Pro forma for Cerulean acquisition.

(1) Assumes $0 excess cash.

(2) Source: Pacific press release dated 1/2/01.

PACIFIC ACQUISITION HISTORY

Acquisitions have been a cornerstone of Pacific's growth strategy outside of its California service area and since 1996 it has completed six transactions.

($ in millions)

Date	Target	Location	Purchase Price	Comments
3/01	Cerulean Companies	GA	$700	► Acquisition of Cerulean Companies, Inc. ("Cerulean"), parent of Blue Cross and Blue Shield of Georgia. The original merger agreement signed in July 1998 called for Pacific to acquire Cerulean for $500 million in cash and stock paid to Cerulean shareholders. After an extended legal and regulatory approval process, Pacific was poised to close the transaction when, in November 2000, Trigon Healthcare Inc. submitted a competing counter-bid for $675 million in cash. Pacific increased its original offer to $700 million in cash, which caused Trigon to back down, and successfully close the transaction in March 2001.
12/00	PrecisionRx	TX	ND	► Acquisition of PrecisionRx, RxAmerica's mail order pharmacy fulfillment facility located in Fort Worth, Texas, which filled approximately 1.6 million prescriptions annually at the time of the acquisition. PrecisionRx was acquired to provide mail order pharmacy services for Pacific's rapidly growing Pacific Pharmacy Management, which served approximately 28 million lives and was the fourth largest pharmacy management company ("TBM") and the largest health plan owned PBM in the United States at the time of the acquisition.
3/00	Rush Prudential Health Plans	IL	$204	► Acquisition of 300,000 member health plan jointly owned by Rush-Presbyterian-St. Luke's Medical Center, one of Chicago's leading medical facilities, and the Prudential Insurance Company of America. The Rush Prudential Health Plan, which offered a wide array of products and services ranging from HMO products to traditional PPO products, was folded into Pacific's existing UNICARE operation and more than doubled Pacific's Illinois membership to nearly 537,000 members.
5/99	Omni Healthcare	CA	ND	► Agreement to transition 124,000 members from Omni Healthcare, a troubled provider-owned health plan headquartered in Sacramento, California, into Blue Cross of California's HMO over a six month period. Omni Healthcare operated in 25 northern California counties, including a strong presence in Sacramento and San Joaquin counties, and included approximately 65,000 commercial members and approximately 59,000 members in California's Medi-Cal program for low-income residents. The transaction price was undisclosed but depended, in part, on the number of Omni Healthcare's commercial members that transitioned to Blue Cross of California's products.

PACIFIC ACQUISITION HISTORY (CONT'D)

($ in millions)

Date	Target	Location	Purchase Price	Comments
Terminated	Qualmed Plans for Health of Colorado	CO	ND	► Pacific proposed to buy QualMed Plans for Health of Colorado, a unit of Foundation Health Systems ("FHS"), which had approximately 102,000 members and was the seventh largest health insurer in Colorado. The sale was part of FHS's ongoing program to divest itself of unprofitable health plans. Pacific announced the transaction during the same week that Anthem, Inc. announced its intention to acquire Blue Cross & Blue Shield of Colorado and Nevada ("BCBSCN"). Pacific then attempted to outbid Anthem for BCBSCN thereby positioning itself as the largest provider of health insurance in Colorado. Pacific subsequently allowed its letter of intent to expire in September 1999 after its attempt to acquire BCBSCN was unsuccessful.
Terminated	Blue Cross Blue Shield of Colorado and Nevada	CO	$266	► In March 1999, Pacific announced bid to acquire Blue Cross Blue Shield of Colorado and Nevada for $266 million. Previously, BCBSCN, which had approximately 420,000 members in Colorado and 60,000 numbers in Nevada, had agreed to be acquired by Anthem, Inc. for $155 million. Pacific's offer was eventually unsuccessful and Anthem completed its acquisition of BCBSCN in November 1999.
3/97	John Hancock Group Benefit Operations and Cost Care Inc.		$90	► Acquisition of group health and related life business, known as Group Benefit Operations ("GPO") and Cost Care Inc. ("CCI"), of John Hancock Mutual Life Insurance Company. The acquisition contributed approximately 1.3 million medical members to Pacific, as well as nearly 1 million members covered through group life insurance products linked to health coverage, 1.5 million dental members and medical management and utilization services sold to over 650 clients through CCI.
3/96	Mass Mutual Life and Health Benefits Management Division		$402	► Acquisition of the Life and Health Benefits Management Division of Massachusetts Mutual Life Insurance Co. that provided medical services to 1.2 million medical members and operates under the UNICARE brand name.

RESEARCH ANALYST VIEWS

	CREDIT SUISSE FIRST BOSTON	MERRILL LYNCH	UBS WARBURG
Analyst	Joseph France	Roberta W. Goodman	William McKeever
Report Date	March 16, 2001	February 15, 2001	February 16, 2001
Price	$94.53	$104.90	$101.65
2001 EPS, P/E	$6.05, 15.6x	$6.05, 17.3x	$6.05, 16.8x
2002 EPS, P/E	$6.95, 13.6x	$7.00, 15.0x	$6.95, 14.6x
12-month Price Target	$130.00	$135.00	$127.50
Comments	► "Pacific is among the strongest positioned of the managed care companies, by virtue of its strong underwriting record, its Blue franchise, its emphasis on open access health plans and its limited exposure to Medicare." ► "Pacific's underwriting excellence is...the result of its indemnity roots and its large staff of actuaries,...skills which will be critical over the coming year, as employers request lower premiums, and benefit buydowns increase." ► "Pacific has the rare ability to construct hybrid health plans...and this flexibility is one of its greatest competitive advantages...and one of the drivers of Pacific's robust same store membership growth."	► "Pacific's rock-solid fourth quarter earnings results highlights its operating strengths, including product innovation and positioning, underwriting and pricing and capital discipline" ► "With clear momentum entering 2001...Pacific should continue to produce strong, predictable, high-quality earnings growth." ► "Pacific has a strong capital base, and has built strong infrastructure in critical areas...manifesting itself in the Company's steady earnings performance."	► "With the Cerulean acquisition expected to close in the first quarter and new products being marketed through strong distribution channels...Pacific is poised for solid growth in 2002." ► "Due to its breadth of products:...with similar margins on both the higher- and lower- end offerings...Pacific is well positioned if the potential slowdown in the economy should continue." ► "Pacific's ability to increase its cash and reserve position while buying back stock reflects Pacific's strong capacity to generate cash flow, and is one of the reasons why the stock should trade at a premium to the group multiple."
Rating	Buy	Buy	Strong Buy

VALUATION ANALYSIS

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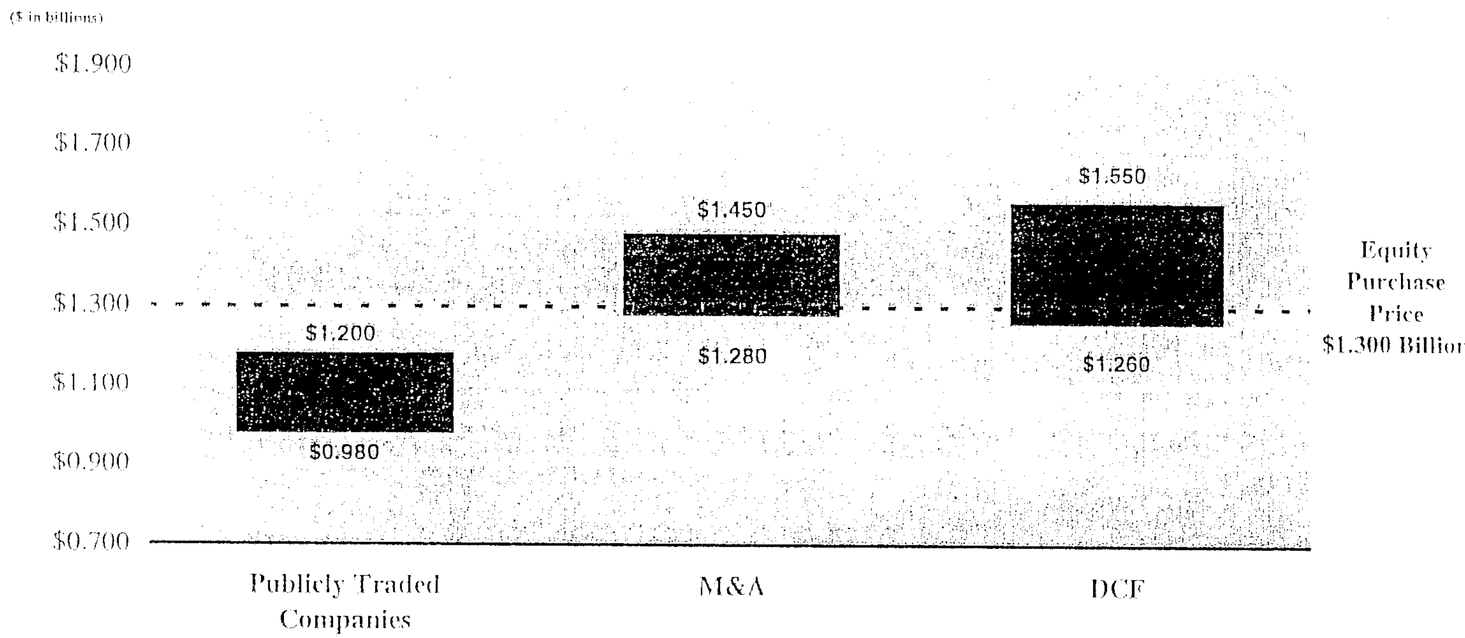
OVERVIEW OF VALUATION METHODOLOGIES

CSFB considered the following methodologies in its valuation of Chesapeake:

Valuation Methods Considered	Comments/Applicability
Comparison of Selected Publicly Traded Companies	▶ Comparison of the multiples implied by Pacific's proposed acquisition of Chesapeake to the trading multiples of comparable publicly-traded managed care companies and a calculation of an implied valuation range for Chesapeake based on these comparables
Comparison of Selected Merger and Acquisition Transactions	▶ Comparison of the multiples implied by Pacific's proposal for Chesapeake to the multiples of selected managed care transactions and a calculation of an implied valuation range for Chesapeake based on one particularly relevant transaction, the acquisition of Cerulean Companies, Inc. by WellPoint Health Networks, Inc.
Discounted Cash Flow Analysis	▶ Calculation of an implied valuation range for Chesapeake based on the present values of future cash flows, under various terminal value and discount rate assumptions, using management's projections

VALUATION SUMMARY



- Above valuation range is before any discount attributable to:
  - Uncertainties associated with multi-jurisdictional approvals
  - Extended duration of buyer's financial commitment
  - Cost, time and effort to effect closure
  - Buyer's extended exposure to an interloper without commensurate deal protection

COMPARABLE PUBLIC COMPANIES ANALYSIS OVERVIEW

CSFB has selected four comparable companies from the managed care universe for the valuation analysis.

Methodology	► To determine the value of Chesapeake using the current trading multiples of comparable publicly-traded managed care companies
Company Selection	► CSFB segregated the comparable company universe as follows: – Large Capitalization non-BCBS Managed Care companies: CIGNA, HealthNet, Humana, Mid Atlantic Medical Services, Oxford Health Plans and UnitedHealth Group – Blues companies: RightChoice Managed Care, Trigon Healthcare and WellPoint Health Networks ► CSFB selected four companies: Mid Atlantic Medical Services, Oxford Health Plans, RightChoice Managed Care and Trigon Healthcare based upon their regional business focus, membership mix, profitability and expected growth as most comparable to Chesapeake
Issues	► This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes ► No control premium is reflected in the results of the public market valuation
Summary Conclusion	► Based upon selected multiples, the implied equity value of Chesapeake is between \$0.980 billion and \$1.200 billion *on a fully-distributed trading basis*

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COMPARABLE COMPANIES ANALYSIS

- The most comparable publicly-traded managed care companies are highlighted below.

ANALYSIS OF SELECTED MANAGED CARE COMPANIES
(Dollars in millions, except per share data)

Company	Price 04/20/01	% of 52 Wk High	Equity Value	Enterprise Value	P/E Ratio 2001 PE	P/E Ratio 2002 PE	2002 PEG	Long-Term EPS Growth	LTM EBITDA Margin (1)
Large Cap Managed Care Companies									
CIGNA Corporation	$100.90	73.8%	$ 15,666	$ 16,975	13.3x	11.9x	85.2%	13.9%	9.5%
Health Net, Inc.	19.40	72.0%	2,446	3,213	12.3x	10.6x	86.3%	12.3%	5.0%
Humana, Inc.	9.05	57.2%	1,535	2,135	13.2x	10.4x	78.3%	13.3%	2.8%
Mid Atlantic Medical Services Inc.	19.00	86.9%	783	786	15.9x	13.6x	93.8%	14.5%	4.6%
Oxford Health Plans, Inc.	26.12	61.1%	2,689	2,870	10.0x	8.6x	53.8%	16.0%	11.0%
UnitedHealth Group	60.21	93.6%	20,863	22,072	23.8x	20.7x	120.0%	17.2%	6.9%
Large Cap Managed Care Mean					14.8x	12.6x	86.2%	14.5%	6.6%
Blues									
RightChoice Managed Care, Inc.	$37.75	88.7%	$ 735	$ 765	15.2x	13.0x	91.0%	14.3%	8.5%
Trigon Healthcare Inc.	51.55	63.3%	1,984	2,272	13.5x	11.7x	68.8%	17.0%	8.5%
WellPoint Health Networks, Inc.	88.44	72.8%	5,707	6,708	14.6x	12.7x	84.0%	15.1%	6.6%
Blues Mean					14.4x	12.4x	81.2%	15.4%	7.9%
Overall Mean					14.6x	12.6x	84.6%	14.8%	7.0%

Note: Source for EPS estimates and long term EPS growth rates is First Call.
(1) LTM as of 12/31/00.

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VALUATION BASED ON PUBLIC COMPARABLE COMPANIES

As part of our valuation analysis, CSFB imputed a range of values for Chesapeake based on a multiple reference range derived from comparable publicly-traded large capitalization managed care and Blue Cross Blue Shield Companies.

($ in millions)	Chesapeake Data	CSFB Reference Range			Implied Chesapeake Equity Value (3)		
		Low		High	Low		High
Equity Value / :							
2001E Net Income (1) (2)	$71.6	12.5x	–	14.5x	$979	–	$1,123
2002E Net Income (1) (2)	89.3	10.5	–	12.5	$1,022	–	$1,201

(1) Assumes a 38.0% effective tax rate.

(2) Source: Company management.

(3) Implied equity value includes a $327.8 million projected NOL estimated to be worth between $82.1 million and $86.3 million on a PV basis. Analysis assumes mid-point of range.

COMPARABLE M&A TRANSACTIONS ANALYSIS OVERVIEW

Methodology	► To determine the value of Chesapeake using the multiples derived from comparable M&A transactions
Transaction Selection	► CSFB considered selected data from eight comparable M&A transactions completed since January 1, 1997
Issues	► Only one relevant transaction, the acquisition of Cerulean Companies by WellPoint Health Networks ► Few transactions in the past several years ► Several transactions involved acquisitions of financially distressed private companies
Summary Conclusion	► CSFB believes that an approximate reference range for Chesapeake's equity value is between $1.280 billion and $1.450 billion

COMPARABLE M&A TRANSACTION VALUATION RANGES

($ in millions)	Chesapeake Data (1)	WellPoint / Cerulean Transaction Multiples	Implied Chesapeake Equity Value (2)
Enterprise Value /:			
LTM EBITDA	$136.2	10.0x	$1,422
LTM EBIT	100.5	12.1	1,277
Equity Value /:			
LTM Net Income (3)	$92.1	14.8x	$1,449

(1) Source: Company audited financial statements dated 12/31/00.

(2) Implied equity value includes a $327.3 million projected NOL estimated to be worth between $80.5 million and $84.8 million on a PV basis. Analysis assumes mid point of range.

(3) Assumes 20.0% effective tax rate (AMT rate) and excludes non-recurring charges and discontinued operations.

COMPARABLE M&A TRANSACTION ANALYSIS

ANALYSIS OF SELECTED HMO / Managed Care M&A TRANSACTIONS

(Dollars in millions)

Acquiror / Target	Date Announced	Enterprise Pur. Price	Enterprise Purchase Price /: EBITDA	EBIT	Equity Pur. Price /: LTM NI
Wellpoint Health Networks Inc. / Cerulean Companies, Inc.	11/29/00	$700	10.0x	12.1x	14.8x
BCBS Texas / Texas NYLCare	9/14/99	$500	NA	NA	NA
Aetna, Inc. / Prudential HealthCare	12/10/98	$1,000	NA	NA	NA
Aetna, Inc. / NYLCare	3/16/98	$1,050	NA	NA	NM
Coventry Health / Principal Health Care	11/4/97	$375	NA	NA	NA
Humana, Inc. / Physician Corporation of America	6/3/97	$404	NM	NM	NM
Foundation Health Systems, Inc. / Physicians Health Services, Inc.	5/8/97	$279	NM	NM	NM
Cigna Corporation / Healthsource, Inc.	2/28/97	$1,652	16.5x	26.9x	46.3x

DISCOUNTED CASH FLOW ANALYSIS OVERVIEW

Discounted cash flow analysis is dependent on several key assumptions.

Methodology	▶ To determine the present value of the projected after-tax free cash flows of Chesapeake utilizing a forward P/E exit multiple to calculate terminal value and a range of discount rates plus the present value of the projected tax benefit of the Chesapeake net operating losses		
Variables	VARIABLE	SELECTED RANGES	BASIS
	I. Forward P/E Multiple (2006)	▲ 12.5x - 14.5x	▲ Public Company Analysis
	II. Discount Rate Range	▲ 13% - 16%	▲ WACC Analysis
Comments	▶ Source of projections: Chesapeake management		
Issues	▶ This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes		
Summary Conclusion	▶ Based on this analysis, the implied equity value of Chesapeake is between $1.260 billion and $1.550 billion		

DISCOUNTED CASH FLOW ANALYSIS

	Projected Fiscal Years Ending December 31, 2001	2002	2003	2004	2005	2006	5-year CAGR
Total Revenues (1)	$4,032.6	$4,422.7	$4,864.0	$5,349.6	$5,883.5	$6,471.6	9.9%
Growth	--	*9.7%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	
Net Income (2)	$71.6	$89.3	$102.7	$118.1	$135.9	$156.3	16.9%
Growth	--	*24.8%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	
Margin	*1.8%*	*2.0%*	*2.1%*	*2.2%*	*2.3%*	*2.4%*	
Adjusted Net Income	$71.6	$86.7	$96.8	$108.7	$122.4	$138.3	14.1%
Growth	--	*21.0%*	*11.7%*	*12.2%*	*12.6%*	*13.0%*	
Margin	*1.8%*	*2.0%*	*2.0%*	*2.0%*	*2.1%*	*2.1%*	
Free Cash Flow	$71.6	$86.7	$96.8	$108.7	$122.4	$138.3	
Period	0.75	1.75	2.75	3.75	4.75		
Discount Factor	0.9064	0.7951	0.6974	0.6118	0.5367		
Present Value of Future Free Cash Flows	$64.9	$68.9	$67.5	$66.5	$65.7		
$333.5							

(1) Excludes investment income.

(2) Assumes 38.0% effective tax rate and no NOL benefits. NOL benefits are included in the Adjusted Equity Value below.

(3) Free Cash Flow is defined as the lesser of the adjusted net income and the excess surplus. Excess surplus is defined as total reserves plus adjusted net income less required statutory surplus (10.0% of premiums earned).

Forward P/E Multiple Terminal Value

2006 Adj. Net Income	$138.3
Terminal Value Forward Net Income Multiple	13.5x
Terminal Equity Value	$1,866.4
Discount Rate	14.0%
Discount Factor	0.5367
Present Value of Terminal Equity Value	$1,001.6
Present Value of Future Free Cash Flows	333.5
Equity Value	$1,335.1
Plus: NOL at midpoint	84.2
Adjusted Equity Value	1,419.3

Sensitivity Analysis

		Forward Net Income Multiple 12.5x	13.5x	14.5x
Discount Rate	13.0%	$1,393	$1,470	$1,548
	14.0%	1,345	1,419	1,494
	15.0%	1,300	1,371	1,442
	16.0%	1,256	1,324	1,393